

Redevelopment Agency of the City of Chula Vista

Chula Vista, California

*Basic Financial Statements and
Independent Auditors' Reports*

For the year ended June 30, 2005

Redevelopment Agency of the City of Chula Vista
Basic Financial Statements
For the year ended June 30, 2005

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September 30, 2005

Honorable Members of the Agency,

The Basic Financial Statements and Independent Auditor's Report on all projects of the City of Chula Vista Redevelopment Agency for the year ended June 30, 2005 is presented in accordance with the Community Redevelopment Law, § 33000 of the Health and Safety Code of the State of California.

The accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, are the responsibility of the City. The Report has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). It is believed that the data reported is accurate in all material respects, that it is presented in a manner designed to fairly represent the financial position and results of operations of the City as measured by the financial activity in its various Funds, and that all disclosures necessary to enable the reader to gain maximum understanding of the City's financial affairs have been included.

REDEVELOPMENT AGENCY BACKGROUND

Redevelopment Law

Redevelopment in California started in 1945 with the enactment of the California Redevelopment Act, which gave cities and counties the authority to establish redevelopment agencies. In 1951, the Community Redevelopment Act was codified and renamed the Community Redevelopment Law under Health and Safety Code Section 33000, et seq. Most importantly, the authority for Tax Increment financing was added.

In 1976, the State Legislature imposed a requirement that 20% of the tax increment generated from project areas must be used to improve the community's supply of affordable housing. In addition, school districts and community college districts and other taxing entities receive a portion of the redevelopment tax increment. For redevelopment projects that were adopted before AB 1290, or January 1, 1994, the Agency negotiated agreements with these taxing entities. However after the enactment of AB1290, the negotiated separate agreements with each taxing entity were eliminated and implementation of statutory reimbursement to all taxing entities was implemented.

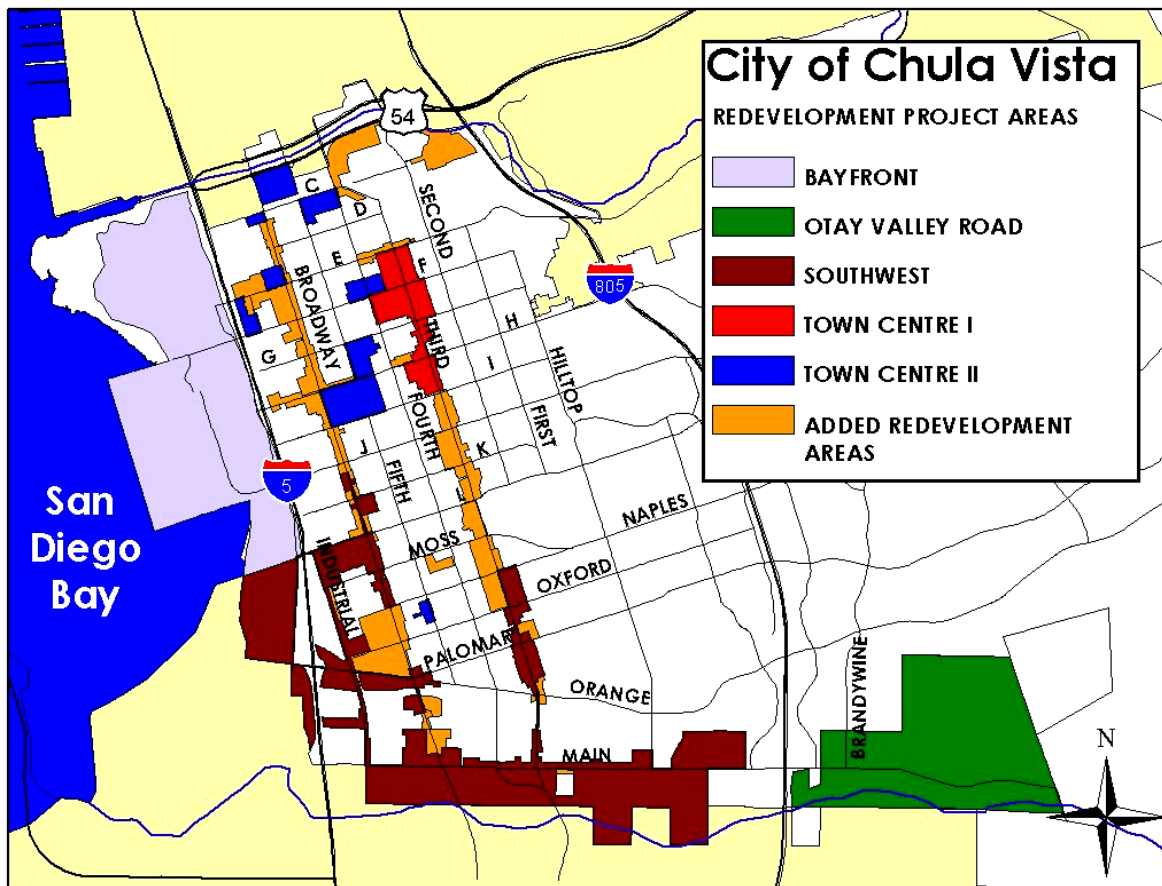
Tax Increment Primer

Tax Increment is the increase in property taxes within the redevelopment project area that result from increases in the project area assessed value that exceeds the base year assessed value. This funding source provides a way to improve an area by enabling redevelopment agencies to issue tax increment bonds without using general fund monies or raising taxes.

Tax Increment is a powerful funding source for redevelopment activities due to the increased percentage of property tax the Agency is able to retain. In California, property tax is calculated at one-percent of a property's assessed value. Of this one-percent the City receives approximately \$0.15 per dollar collected. The rest is passed through to other taxing entities (i.e. school districts, County and ERAF). However with property taxes collected in a redevelopment project area, the City and other taxing entities will still receive their share of base year taxes but the Agency will receive approximately 60 percent of the tax increment (taxes above base year values) generated in the project area (i.e. gross tax increment less 20% for low and moderate housing and 20% for AB1290 pass throughs).

The City's Redevelopment Agency

Redevelopment Project Areas



Agency History

The City of Chula Vista's Redevelopment Agency (Agency) was formed in 1972. The goals of the Agency are to reduce blight and to encourage new development, reconstruction, and rehabilitation of residential, commercial, industrial and retail uses. The map above depicts the Agency's five project areas as well as areas recently added. The table below summarizes important dates for the project areas.

Project Areas and Timelines

Project Area	Cumulative Tax Increment Revenue Limit	Final Date to Incur Debt	Date of Plan Termination	Termination Date of Revenue
Bayfront	\$ 210,000,000	No Limit	7/16/2015	7/16/2025
Bayfront Amended		7/17/2018	7/7/2029	7/7/2044
Town Centre 1	\$ 84,000,000	No Limit	7/6/2017	7/6/2027
Otay Valley	\$ 115,000,000	No Limit	12/29/2024	12/29/2034
Southwest	\$ 150,000,000	No Limit	11/27/2031	11/27/2041
Southwest Amended		No Limit	7/9/2032	7/9/2042
Town Centre 2	\$ 100,000,000	No Limit	8/15/2019	8/15/2029
Town Centre 2 Amended		No Limit	7/19/2029	7/19/2039
2003 Amendment Area	No Limit	5/1/2024	5/1/2034	5/1/2049

During the 1970's and 1980's the Agency focused on the Town Centre I, Town Centre II and Bayfront Redevelopment Project Areas. The Agency issued \$7.15 million in tax allocation bonds in 1979, \$25.0 million in 1984 and \$38.6 million in 1986 and \$11.0 million Certificate of Participation was issued in 1987. Most of the bond proceeds were used for planning studies or public infrastructure projects that provided a public benefit. This strategic focus provided infrastructure in the downtown and bay front areas, but primarily due to a sluggish real estate market, the public investment did not have the intended effect of spurring major new development in either location. Projects during this period included: (1) streetscape improvements along Third Avenue; (2) development of a public parking structure in the Park Plaza development; and (3) removal of junkyards from the bay front.

In the 1990s, the Agency again focused on foundational planning efforts, including adoption of the Southwest Redevelopment Project Area to address the annexation of the Montgomery area. Added investment in public improvement projects included the South Bay Court House (\$1.3 million), the Palomar Trolley Center (\$776,000) and the Chula Vista Center parking structure (\$3.5 million).

The Agency's Merged Project Area was created in August 2000 pursuant to an amendment to the redevelopment plans of three of the Agency's Project Areas (i.e. Town Centre II, Otay Valley and Southwest). Subsequently in October 2000, the Agency issued its most recent Tax Allocation Bond in the amount of \$17.0 million.

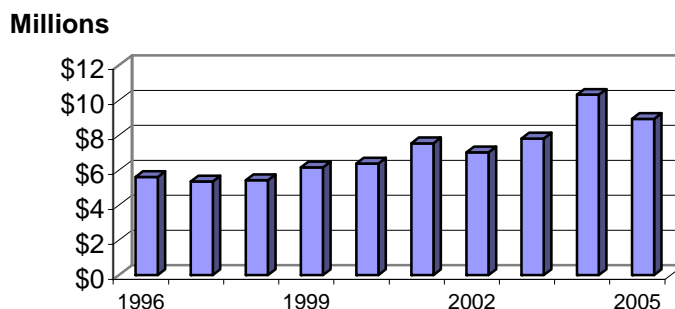


Also in 2000, a development agreement for the Gateway Chula Vista Project, a 347,000 square foot upscale office development at the northwest corner of Third Avenue and "H" Street, was entered into by the Agency, committing \$7.2 million of Agency funds, representing a shift of focus toward urban core infill opportunities afforded by changes in the real estate market and renewed interest from developers. The first of 3 phases is complete and the result is an increase of tax increment of approximately \$400,000 annually.

Over its 30 year life span, the Agency ushered in a few significant developments including the 1992 redevelopment of properties for the Scripps Hospital expansion on H Street, the construction of the Rohr Headquarters Building, upgrades to the Chula Vista Center, relocation of the auto park to Otay Valley Road and land swap for the development of the state Veterans Home in 2001. The Agency also funded the new Chula Vista Police Station in the amount of \$5.8 million in the form of relocation assistance and land acquisition.

The chart below displays the growth of tax increment for the past ten years.

**Gross Tax Increment Revenue
Ten-Year Chart
For the years ended June 30**



ACCOUNTING SYSTEMS AND BUDGETARY CONTROL

The basic financial statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the Agency’s assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

In administering the Agency’s accounting systems, primary consideration is given to the adequacy of internal accounting controls, which include an array of administrative procedures. These controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, as well as the reliability of financial records for accurate and fair presentation of financial reports. The concept of reasonable assurance recognizes that the cost of specific controls should not exceed the benefits likely to be derived from exercising the controls, and that this evaluation necessarily involves estimates and judgments by management. It is believed that the City’s internal accounting controls adequately safeguard City assets and provide reasonable assurance of proper recording of financial transactions.

The City Charter charges the Director of Finance with the responsibility to supervise and be responsible for the disbursement of all monies and have control over all expenditures to ensure that budget appropriations are not exceeded. The level of budgetary control, that is, the level at which expenditures are not to exceed Council approved appropriations, is established at the department level. An encumbrance (commitment) accounting system is utilized as a technique to enhance budgetary control during the year. Appropriations encumbered (committed) at year end automatically carry forward and are available to be used for those commitments during the subsequent year while unspent, unencumbered appropriations lapse at year end and become generally available for re-appropriation the following year.

INDEPENDENT AUDIT

An independent audit of the Agency's records is required by Community Redevelopment Law, § 33000 of the Health and Safety Code of the State of California and was performed for the year ended June 30, 2005 by the certified public accounting firm of Caporicci & Larson, CPAs. The auditors report on the basic financial statements and schedules is included in the Financial Section of the Report. In general, the auditors concluded that the financial statements and schedules referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2005, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles. The professionalism and knowledge exhibited by Caporicci & Larson, CPAs during their audit work is greatly appreciated.

ACKNOWLEDGMENTS

Preparation of the Report and more importantly, maintaining the Agency's accounting records in a manner sufficient to earn the aforementioned auditors opinion is only accomplished with the continuous concerted effort of each and every staff member in the Finance Department. As such, I express my sincere appreciation for their dedicated service.

Respectfully,

A handwritten signature in black ink, appearing to read 'Maria Kachadoorian', written in a cursive style.

MARIA KACHADOORIAN

Director of Finance/Treasurer

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
of the City of Chula Vista Redevelopment Agency
Chula Vista, California

We have audited the accompanying basic financial statements of the government activities and each major fund of the Redevelopment Agency of the City of Chula Vista (Agency), a component unit of the City of Chula Vista, California (City), as of and for the year ended June 30, 2005, as listed in the foregoing table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Agency as of June 30, 2005, and the respective changes in financial position for the year then ended in conformity with generally accepted accounting principles in the United States.

As described in Note 1 to the basic financial statements, the Agency adopted statement of the Governmental Accounting Standards Board No. 40, *Deposit and Investment Risk Disclosures*.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying Required Supplementary Information, such as management's discussion and analysis and budgetary comparison information as listed in the foregoing table of contents are not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

Caporicci & Larson

Costa Mesa, California
September 30, 2005

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CITY OF CHULA VISTA - REDEVELOPMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

The discussion and analysis of the Redevelopment Agency's (Agency's) financial performance provides an overall review of the Agency's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the Agency's financial performance as a whole. Readers should also review the basic financial statements, as well as the prior year's report ending June 30, 2004, to enhance their understanding of the Agency's financial performance.

The financial section of this report has been prepared to show the results of the financial administration, financial condition, and operation of the Agency. The combined financial statements in this report have been audited by the firm of Caporicci and Larson, CPAs, whose opinion is included in this report.

BASIS OF ACCOUNTING AND FUND GROUPINGS

The basic financial statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the Agency's assets and liabilities, including capital assets and long term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. The Agency maintains funds in accordance with generally accepted accounting principles set forth by the GASB and other rule-making entities.

FINANCIAL DISCUSSION

Under the Governmental Fund statements, the Redevelopment Agency reported an excess of expenditures over revenues of \$3.0 million, including transfers in and out. The total fund balance at June 30, 2005 was \$11.8 million, of which \$11.4 million is designated or committed. Designations represent management's intended use of resources and reflect actual plans approved by the City Council.

Tax increment revenue decreased by 13.4% in fiscal year 2005, to \$8.9 million from \$10.3 million in the previous fiscal year. The decrease occurred because of a one-time Unitary Tax Roll adjustment of \$2.0 million in FY 2004. The adjustment was made due to a correction by the County of San Diego related to the allocation of the 1% State Unitary tax revenues. Without the one-time adjustment, Tax Increment revenues actually increased by 7.5% in fiscal year 2005. This increase is attributable to the Assessor's annual 2% increase in assessed property valuations and the redevelopment project area being expanded by 500 acres in FY 2004. The collection of tax increment revenues began in FY 2005 for the added acreage.

Gross Tax Increment Revenue

for the years ended June 30

FY01	\$7,540,242	
FY02	7,032,266	-6.7%
FY03	7,822,850	11.2%
FY04**	8,317,575	6.3%
FY05	\$8,939,342	7.5%

****FY04 Amount adjusted for one-time \$2.0 million
Unitary Tax adjustment.**

Total revenue for fiscal year 2005 was \$12.1 million, of which 73.6% was tax increment revenue, 24.8% were charges for use of money and property and 1.6% was other income. Total expenditures for fiscal year 2005 were \$14.4 million. The expenditures included \$8.6 million for general government which includes staff and administrative charges, \$0.6 million for capital outlay projects, and \$5.2 million for repayments of long-term debt, interest, and fiscal charges.

For the past two years, the City has been engaged in a comprehensive study to examine and understand the benefits and requirements of creating a 501c3 nonprofit public benefit Chula Vista Redevelopment Corporation ("CVRC"). Two workshops were held on the concept and formation of a CVRC that included participants from the public and the City. The culmination of these workshops and discussions led to the preparation of a comprehensive report by Community Development that was publicly distributed and presented to the Council on July 20, 2004

On November 23, 2004, the Council authorized the formation of the CVRC and directed staff to prepare the necessary legal documents to formally and operationally incorporate and establish the CVRC. The CVRC is considered a "support entity" to the City and Redevelopment Agency for planning and redevelopment activities within designated geographic areas. As a "support entity," the Corporation is authorized to conduct certain delegable functions and responsibilities of the City and Redevelopment Agency that do not involve the non-delegable fiduciary and legislative policy-making responsibilities and authorities that are solely held by the City Council and Redevelopment Agency Board

The Agency has been in the planning stages for several new developments that will materialize in the near future. A few of the Redevelopment Agency highlights for fiscal year 2005 include the following:

- Completion of the second phase of the Bayfront Master Plan
- Completion of "Spotlight on Broadway" a 49 unit town home development
- Completed construction on a 180,000 square foot industrial building
- Completed construction on a new Walgreen's shopping center at Third and L Streets

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the Agency's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Chula Vista, Finance Department, 276 Fourth Avenue, Chula Vista, CA 91910.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

Redevelopment Agency of the City of Chula Vista
Statement of Net Assets
June 30, 2005

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments	\$ 7,598,069
Receivables:	
Taxes	221,636
Interest	1,447,894
Other	1,044
Restricted cash and investments:	
Held by City (Note 2)	4,024,301
Held by fiscal agents (Note 2)	8,286,704
Total current assets	21,579,648
Noncurrent assets:	
Loans receivable	11,274,243
Land held for resale	7,743,162
Capital Assets:	
Nondepreciable assets	7,424,517
Depreciable assets, net	1,822,476
Total capital assets	9,246,993
Total noncurrent assets	28,264,398
Total assets	49,844,046
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	547,946
Interest payable	844,805
Unearned revenue	562,977
Long-term debt - due within one year	1,000,000
Total current liabilities	2,955,728
Long-term liabilities:	
Advances from other funds	26,070,864
Long-term debt - due within one year	1,000,000
Long-term debt - due in more than a year	41,005,000
Total long-term debt	68,075,864
Less long-term debt - due within one year	(1,000,000)
Total long-term liabilities	67,075,864
Total liabilities	70,031,592
NET ASSETS	
Investments in Capital Assets,	
Net of Related Debt	9,246,993
Restricted for:	
Capital Projects	7,818,155
Community Development	18,972,999
Unrestricted	(56,225,693)
Total net assets	\$ (20,187,546)

See accompanying notes to basic financial statements.

Redevelopment Agency of the City of Chula vista
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2005

Functions/Programs	Expenses	Program Revenues				Net (Expense)
		Charges for Services	Operating	Capital	Total	Revenue and
			Grants and Contributions	Grants and Contributions	Program Revenues	Changes in Net Assets
Governmental Activities						
Primary government:						
Governmental activities:						
General government	\$ 9,200,342	\$ 142,608	\$ -	\$ -	\$ 142,608	\$ (9,057,734)
Depreciation expense	52,163	-	-	-	-	(52,163)
Interest on long-term debt	3,985,891	-	-	-	-	(3,985,891)
Total governmental activities	\$ 13,238,396	\$ 142,608	\$ -	\$ -	\$ 142,608	(13,095,788)
General revenues:						
Taxes:						
Property taxes						8,939,342
Investment earnings						3,025,060
Miscellaneous						83,906
Loss on sale of fixed assets						(350,944)
Transfers						(1,518,328)
Total general revenues and transfers						10,179,036
Change in net assets						(2,916,752)
Net assets - beginning of year						(17,270,794)
Net assets - end of year						\$ (20,187,546)

See accompanying notes to basic financial statements.

Redevelopment Agency of the City of Chula Vista
Balance Sheet
Governmental Funds
June 30, 2005

	Major Funds			
	Low & Mod Income Housing Special Revenue	RDA Housing Program Special Revenue	Bayfront/ Town Centre I Debt service	Town Centre II Otay Valley Southwest Merged Projects Debt Service
ASSETS				
Cash and investments	\$ 3,161,962	\$ 67,621	\$ 1,464,334	\$ 800,564
Receivables:				
Taxes	43,680	-	-	-
Interest	1,201,336	205,942	8,511	4,737
Loans	8,756,787	2,517,456	-	-
Other	-	425	-	-
Due from other funds	-	-	-	-
Advances to other funds	-	-	-	-
Restricted cash and investments:				
Held by City	388,209	3,636,092	-	-
Held by fiscal agent	-	-	2,809,391	-
Land held for resale	376,508	-	-	-
Total assets	\$ 13,928,482	\$ 6,427,536	\$ 4,282,236	\$ 805,301
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 180	-	\$ -	\$ -
Advances from Other Funds	-	-	4,304,042	27,698,341
Due to other funds	-	-	-	-
Unearned Revenue	1,176,926	205,913	-	-
Total liabilities	1,177,106	205,913	4,304,042	27,698,341
Fund Balances:				
Fund Balances:				
Reserved:				
Encumbrances	24,548	-	-	-
Long-term receivables and advances	8,756,788	6,221,623	-	-
Land held for resale	376,508	-	-	-
Debt service	-	-	4,282,236	805,301
Total reserved	9,157,844	6,221,623	4,282,236	805,301
Unreserved:				
Designated	3,593,532	-	-	-
Undesignated	-	-	(4,304,042)	(27,698,341)
Total unreserved	3,593,532	-	(4,304,042)	(27,698,341)
Total fund balances	12,751,376	6,221,623	(21,806)	(26,893,040)
Total liabilities and fund balances	\$ 13,928,482	\$ 6,427,536	\$ 4,282,236	\$ 805,301

See accompanying notes to basic financial statements.

Major Funds			
Bayfront/ Town Centre I Capital Projects	Town Centre II Otay Valley Southwest Merged Capital Projects	Chula Vista Housing Authority	Total Governmental
\$ 3,730	\$ 1,943,350	\$ 156,508	\$ 7,598,069
32,158	145,798	-	221,636
163	26,134	1,071	1,447,894
-	-		11,274,243
619	-	-	1,044
-	716,606	-	716,606
5,931,519	-	-	5,931,519
-	-	-	4,024,301
-	5,477,313	-	8,286,704
7,366,654	-	-	7,743,162
<u>\$ 13,334,843</u>	<u>\$ 8,309,201</u>	<u>\$ 157,579</u>	<u>\$ 47,245,178</u>
\$ 56,720	\$ 491,046	\$ -	\$ 547,946
-	-	-	32,002,383
716,606	-	-	716,606
753,925	-	-	2,136,764
<u>1,527,251</u>	<u>491,046</u>	<u>-</u>	<u>35,403,699</u>
349,865	158,487	-	532,900
5,177,594	-	-	20,156,005
7,366,654	-	-	7,743,162
-	-	-	5,087,537
<u>12,894,113</u>	<u>158,487</u>	<u>-</u>	<u>33,519,604</u>
-	7,659,668	157,579	11,410,779
(1,086,521)	-	-	(33,088,904)
<u>(1,086,521)</u>	<u>7,659,668</u>	<u>157,579</u>	<u>(21,678,125)</u>
<u>11,807,592</u>	<u>7,818,155</u>	<u>157,579</u>	<u>11,841,479</u>
<u>\$ 13,334,843</u>	<u>\$ 8,309,201</u>	<u>\$ 157,579</u>	<u>\$ 47,245,178</u>

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Redevelopment Agency of the City of Chula Vista
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2005

Total Fund Balances - Total Governmental Funds	\$ 11,841,479
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Amounts reported for governmental activities in the Statement of Net Assets are differently because:

Capital assets used in governmental activities are not current financial resources. Therefore, were not reported in the Governmental Funds Balance Sheet.

Nondepreciable	7,424,517
Depreciable	1,822,476
	<hr/>
Total capital assets	9,246,993

Unearned revenues which are deferred on the Funds Balance Sheet because they are not available currently are taken into revenue in the Statement of Activities and accordingly increases the net assets on the Statement of Net Assets.

1,573,787

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in Governmental Funds Balance Sheet.

(844,805)

Long-term liabilities are not due and payable in the current period. Therefore, were not reported in the Governmental Funds Balance Sheet. The long-term liabilities were adjusted as follows:

Long-term liabilities - due within one year	(1,000,000)
Long-term liabilities - due in more than one year	(41,005,000)
	<hr/>
Total long-term liabilities	(42,005,000)

Net Assets of Governmental Activities	\$ (20,187,546)
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Redevelopment Agency of the City of Chula Vista
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2005

	Major Funds			
	Low & Mod Income Housing Special Revenue	RDA Housing Program	Bayfront/ Town Centre I Debt service	Town Centre II Otay Valley Southwest Merged Projects Debt Service
REVENUES:				
Taxes	\$ 1,675,273	\$ -	\$ 2,461,002	\$ 1,209,208
Use of money and property	170,235	53,755	189,946	16,074
Other	25,605	25,895	-	-
Total revenues	1,871,113	79,650	2,650,948	1,225,282
EXPENDITURES:				
Current:				
General government	541,663	162,482	12,314	3,775
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	525,000	458,361
Interest and fiscal charges	-	-	2,202,962	2,011,424
Total expenditures	541,663	162,482	2,740,276	2,473,560
REVENUES OVER (UNDER)				
EXPENDITURES	1,329,450	(82,832)	(89,328)	(1,248,278)
OTHER FINANCING SOURCES (USES):				
Proceeds from long-term debt	-	-	-	-
Transfers in	-	4,259	639,050	1,955,635
Transfers out	(4,509)	-	(675,000)	(1,218,392)
Total other financing sources	(4,509)	4,259	(35,950)	737,243
NET CHANGE IN FUND BALANCES	1,324,941	(78,573)	(125,278)	(511,035)
FUND BALANCE:				
Beginning of year, as restated	11,426,435	6,300,196	103,472	(26,382,005)
End of year	\$ 12,751,376	\$ 6,221,623	\$ (21,806)	\$ (26,893,040)

See accompanying notes to basic financial statements.

Major Funds			
Bayfront/ Town Centre I Capital Projects	Town Centre II Otay Valley Southwest Merged Capital Projects	Chula Vista Housing Authority	Total Governmental
\$ 927,604	\$ 2,666,255	\$ -	\$ 8,939,342
2,351,251	218,476	3,850	3,003,587
93,800	-	50,614	195,914
3,372,655	2,884,731	54,464	12,138,843
4,549,476	3,281,961	228	8,551,899
392,296	256,147	-	648,443
-	-	-	983,361
-	10,688	-	4,225,074
4,941,772	3,548,796	228	14,408,777
(1,569,117)	(664,065)	54,236	(2,269,934)
387,161	377,839	-	765,000
620,813	54,187	-	3,273,944
(1,028,554)	(1,865,817)	-	(4,792,272)
(20,580)	(1,433,791)	-	(753,328)
(1,589,697)	(2,097,856)	54,236	(3,023,262)
13,397,289	9,916,011	103,343	14,864,741
\$ 11,807,592	\$ 7,818,155	\$ 157,579	11,841,479

Redevelopment Agency of the City of Chula Vista
Reconciliation of the Governmental Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets
June 30, 2005

Net Change in Fund Balances - Total Governmental Funds \$ (3,023,262)

Amounts reported for governmental activities in the Statement of Activities are different because:

Unearned revenue does not provide for current financial resources and therefore are not reported as revenues in the governmental funds. 691,123

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in Governmental Funds. (52,163)

Proceed from sale of property provide current financial resources to governmental funds, but sale of property decrease capital assets on government-wide statements. (639,050)

Loss on the disposal of capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, it is not reported as expenditures in Governmental Funds. (350,944)

Long-term debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of bond principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets.

This amount represents proceeds from long term debt (765,000)

This amount represents long-term debt repayments. 983,361

Interest expense on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, interest expense is not reported as expenditures in Governmental Funds. The following amount represents the change in accrued interest from prior year. 239,183

Change in Net Assets of Governmental Activities \$ (2,916,752)

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements
For the year ended June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Redevelopment Agency (Agency) of the City of Chula Vista, California, (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The Agency is a blended component unit of the City. The Agency was created by the City of Chula Vista City Council (City Council) in October 1972. The City Manager acts as the Agency's Executive Director and the City Council acts as the governing commission, which exerts significant influence over its operations. The primary purpose of the Agency is to eliminate blighted areas by encouraging the development of residential, commercial, industrial, recreational and public facilities. The Bayfront/Town Centre I Project encompasses approximately 775 acres; its general objective is to redevelop the Bayfront area and the central business district. The goal of the Town Centre II Project, which consists of approximately 212.5 acres in the central area of Chula Vista, is to revitalize the area into a principal regional shopping center. The Otay Valley Road Project area, comprising approximately 770 acres, was created to establish and upgrade infrastructure capital improvements for the promotion of industrial development. The Southwest Project area, comprising approximately 1,100 acres, was created to upgrade the commercial, industrial, residential properties and rights-of-way at a more rapid pace than would occur without a redevelopment plan.

Funds for redevelopment projects are provided from various sources, including incremental property tax revenues, tax allocation bonds, and advances from the City.

B. Description of Funds

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The minimum number of funds is maintained consistent with legal and managerial requirements.

C. Government - Wide Financial Statements

The Agency's government-wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of governmental activities for the Agency accompanied by a total column. The Agency does not have any business-type activities, therefore only governmental activities are reported.

These basic financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Agency's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Government - Wide Financial Statements, Continued

Certain types of transactions are reported as program revenues for the Agency in three categories: (1) charges for services, (2) operating grants and contributions and (3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the Agency activities and City, which are presented as internal balances and eliminated in the total primary government column.

D. Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements. The Agency has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Agency, are increment property tax, intergovernmental revenues, other taxes, interest revenue, rental revenue and certain charges for services. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Unearned revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the unearned revenue is removed from the balance sheet and revenue is recognized.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Cash, Cash Equivalents and Investments

Deposit and Investment Risk Disclosures - In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures* (An amendment of GASB Statement No. 3), certain disclosure requirements, if applicable, for Deposits and Investment Risks in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentration of Credit Risk
- Foreign Currency Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

F. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Agency's policy is to apply restricted net assets first.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

H. Encumbrances

Under encumbrance accounting, purchase orders, contracts and other commitments for expenditures are recorded to reserve. Encumbrance accounting is employed as an extension of formal budgetary accounting. Since encumbrances do not yet constitute expenditures or liabilities, encumbrances outstanding at year-end are reported as reservations of fund balances.

I. Property Tax Revenues

Incremental property tax revenues represent property taxes in each project area arising from increased assessed valuations over base valuations established at the inception of the project area. Incremental property taxes from each project area accrue to the Agency until all liabilities and commitments of the project area have been repaid (including cumulative funds provided or committed by the Agency). After all such indebtedness has been repaid; all property taxes from the project area revert back to the various taxing authorities.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

J. Low and Moderate Income Housing

The California Health and Safety Code requires Agency project areas to deposit 20% of allocated incremental property tax revenues (or 20% of net bond proceeds plus 20% of tax incremental revenues in excess of debt service payments on the bond) into a Low and Moderate Income Housing Fund. This money is restricted for the purpose of increasing or improving the community's supply of low and moderate income housing. The Agency accounts for these revenues in a special revenue fund.

K. Capital Assets

The Agency's assets are capitalized at historical cost or estimated historical cost. Agency policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair market value when received. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings	25 years
Improvements other than buildings	15 years
Machinery and equipment	5-20 years

L. Net Assets

Government-Wide Financial Statements

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

Fund Financial Statements

Fund Equity – Reservations of fund balances of governmental funds are created to either satisfy legal covenants, including State laws, that require a portion of the fund equity be segregated or identify the portion of the fund equity not available for future expenditures.

M. Implementation of new GASB Pronouncements

The Agency adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statement:

- Statement No. 40, *Deposit and Investment Risk Disclosures* - This Statement addresses selected issues and amends GASB Statements No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*. The Statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2005 consisted of the following:

Cash and investments pooled with the City	\$ 7,598,069
Restricted cash and investments	4,024,301
Cash and investments with fiscal agents	<u>8,286,704</u>
Total cash and investments	<u>\$ 19,909,074</u>

The Agency has pooled its cash and investments with the City in order to achieve a higher return on investment. Certain restricted funds, which are held and invested by independent outside custodians through contractual agreements, are not pooled. These restricted funds include cash with fiscal agents.

The investments made by the Agency are limited to those allowable under State statutes and include the following types of investments:

U.S. Government Securities
Bankers' Acceptances
Commercial Paper
Medium-Term Notes
Repurchase Agreements
Deposits with Banks
State of California Local Agency Investment Fund

See the City's Comprehensive Annual Financial Report for disclosures related to cash and investments and the related custodial risk categorization.

3. LAND HELD FOR RESALE

Land held for resale is recorded in special revenue and capital projects funds at the lower of cost or estimated net realizable value. The available fund balance is reserved in an amount equal to the carrying value of land and buildings held for resale because such assets are not available to finance the Agency's current operations. The amount recorded as assets held for resale and the corresponding fund balance reserved as of June 30, 2005, was \$7,743,162.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

4. LOANS RECEIVABLE

At June 30, 2005, the Agency had the following loans receivable:

South Bay Community Services	\$ 887,995
South Bay Community Villas, L.P.	4,400,000
Chula Vista Rehabilitation CHIP Loans	2,517,455
Civic Center Barrio Housing Corporation Loan	250,689
Rancho Vista Housing	1,000,000
Mobile Home Assistance Programs	55,952
Chelsea Investment Corporation/Sunbow Services	1,662,152
Alpha III Development Inc. (Main Plaza, LP)	500,000
Total	\$ 11,274,243

South Bay Community Services

The Agency entered into a loan agreement with South Bay Community Services, a California non-profit public benefit corporation. The loan amount of \$478,200 was made to enable South Bay Community Services to develop a 40-unit affordable multi-family housing rental project to provide housing to low income families. The note is secured by a deed of trust on certain property and assignments of rents. Interest accrues annually at 3% of the unpaid principal balance of the note. Interest of \$73,605 has been deferred at June 30, 2005. The outstanding balance is \$478,200.

The Agency entered into a loan agreement with South Bay Community Services for the acquisition of property located at 1536 Concord Way for a domestic violence shelter site, other transitional living programs or housing for very low income families. The loan is secured by a deed of trust and a promissory note for the properties on behalf of the Agency. Repayment of the loan is limited to annual payment based on residual receipts. Interest of \$14,516 has been deferred at June 30, 2005. The outstanding balance is \$36,795.

The Agency entered into a \$300,000 loan agreement with South Bay Community Services for the acquisition of a real property at 746 ADA Street, and improving it with a multi-family residential project consisting of 11 units. These units, called the Trolley Trestle, will provide affordable housing for low income young adults who have completed the County of San Diego Foster Care program. The loan is secured by a Deed of Trust and Security Agreement and will accrue 3% interest. Payment of principal and interest will be made from 50% of residual receipts for 55 years. Interest of \$54,922 has been deferred at June 30, 2005. The outstanding balance is \$373,000.

South Bay Community Villas, L.P.

The City entered into a loan agreement with South Bay Community Villas, L.P. for the development of the Heritage Town Center multi-family rental housing project. Agency assistance is in the form of residual receipt loan secured by a promissory note and deed of trust. The outstanding principal and interest on the loan will be repaid over fifty five years and shall accrue interest at 3% per annum. Payment of principal and interest on the Agency loan shall be made on an annual basis, out of a fund equal to fifty percent of the net cash flow of the project (residual receipts) after debt service on bonds, payment of deferred developers fee, and reasonable operating expense have been paid. Fund balance has been reserved in the Low and Moderate Income Housing Fund. The outstanding balance of the loan as of June 30, 2005 is \$4,400,000. Interest of \$469,710 has been deferred at June 30, 2005.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

4. LOANS RECEIVABLE, Continued

Chula Vista Rehabilitation CHIP Loans

The Chula Vista Rehabilitation Community Housing Improvement Program (CHIP) is under the direct control of the Agency. CHIP offers deferred and low interest rate home improvement loans to qualified borrowers residing within a target area. Loan repayments are re-deposited into the program cash accounts and are redistributed as future loans. The program was originally funded entirely with Community Development Block Grant Federal funds. In recent years, the Agency began supplementing the program due to decreased availability of Federal grants. The outstanding principal balances of the CHIP loans are \$2,517,455 as of June 30, 2005. Fund balance has been reserved in the special revenue funds due to the long-term nature of the loans. Interest of \$205,488 was deferred as of June 30, 2005.

Civic Center Barrio Housing Corporation Loan

In 1991, the Agency entered into a loan agreement with the Civic Center Barrio Housing Corporation, a California non-profit public benefit corporation. The loan was made for the purchase of land and the development of a 28-unit low income housing project. During 1992, the loan was assigned to Park Village Apartments Ltd., a California limited partnership in which Civic Center Barrio Housing Corporation is the managing general partner. The loan is secured by a deed of trust on the property and assignment of rents. Principal and interest are payable monthly. Interest accrues annually at 5% of the unpaid principal balance of the note. Fund balance has been reserved in the Redevelopment Agency Special Revenue Fund. The outstanding amount is \$250,689.

Rancho Vista Housing

The Agency has loaned \$1,000,000 to CIC Eastlake, L.P. for the development and operation of Rancho Vista Housing project, a multifamily affordable housing project. The loan will be secured by promissory notes and deeds of trust. The outstanding principal and interest amount of the loan shall be repaid over fifty-five (55) years and shall accrue at the simple interest rate of three (3%) percent per annum. Payment of principal and interest, or portions thereof, on the loan shall be made on an annual basis, out of a fund equal to fifty (50%) percent of the net cash flow of the project. The outstanding balance of the loan at June 30, 2005 is \$1,000,000. Interest of \$12,658 has been deferred at June 30, 2005.

Mobile Home Assistance Programs

The Agency entered into agreements with eligible residents of the Orange Tree Mobile Home Park, whereby the Agency loaned \$250,030 as permanent financing assistance to residents for the purpose of purchasing certain mobile home property. The loans are secured by deeds of trust on the property and mature in 2017 or when the property is sold. Contingent interest will be charged based on calculations specified in the agreement. Fund balance has been reserved in the Redevelopment Agency Special Revenue Fund. The outstanding amount is \$55,952.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

4. LOANS RECEIVABLE, Continued

Chelsea Investment Corporation/Sunbow Services Co., LLC

The Agency entered into a residual receipts loan agreement with Chelsea Investment Corporation/Sunbow Services Company, LLC for the development of the proposed 132 unit Villa Serena senior affordable housing project. The loan amount of \$275,000 was funded by the Agency's Low & Moderate Income Housing Fund. Terms of the loan will be for 52 years at 6% per annum. Principal and interest payments will be made on an annual basis out of a fund equal to 90% of the "Residual Receipts." Interest of \$100,558 has been deferred at June 30, 2005, (See Note 7). The outstanding balance is \$275,000.

The Agency entered into a loan agreement with Chelsea Investment Corporation for the acquisition and rehabilitation of the 119-unit Pear Tree Apartments at 1025 Broadway. All units will be affordable to low income households. The loan is secured by a deed of trust and will accrue 6% interest for 52 years. Payment of principal and interest shall be made on an annual basis out of a fund equal to 90% of the residual receipts. Interest of \$418,040 has been deferred at June 30, 2005, (See Note 7). The outstanding balance is \$1,387,152.

Alpha III Development Inc (Main Plaza, LP)

The Agency entered into a loan agreement with Main Plaza, LP (Borrower) to assist the borrower in acquiring and improving certain real property for occupation by very low, lower and low and moderate income households. The total loan amount is \$1,500,000 to be disbursed in three equal installments of \$500,000. As of June 30, 2003 the Agency disbursed only one installment of \$500,000. The loan bears an interest rate of 3% per annum. The loan shall be due and payable on the date that is 55 years from the date of the Agency's issuance of the Certificate of Completion. Interest of \$32,918 was deferred as of June 30, 2005.

5. LEASES RECEIVABLE

The Agency has entered into lease agreements in connection with the City's Certificates of Participation. The City's annual lease payments to the Agency are equal to the annual debt service requirements on the outstanding Certificates of Participation. Both the leases receivable and the Certificates of Participation were paid off during the year.

6. CAPITAL ASSETS

Changes in capital assets during the year ended June 30, 2005 were as follows:

	Balance July 1, 2004	Additions	Deletion	Balance June 30, 2005
Land	\$ 8,414,511	\$ -	\$ (989,994)	\$ 7,424,517
Buildings	2,608,126	-	-	2,608,126
Machinery and equipment	308,873	-	-	308,873
	11,331,510	-	(989,994)	10,341,516
Accumulated depreciation	(1,042,360)	(52,163)	-	(1,094,523)
Total	\$ 10,289,150	\$ (52,163)	\$ (989,994)	\$ 9,246,993

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

7. LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2005 were as follows:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Note payable	\$ 98,361	\$ -	\$ (98,361)	\$ -
ERAF Loan	-	765,000	-	765,000
Tax allocation bonds	42,125,000	-	(885,000)	41,240,000
Total	\$ 42,223,361	\$ 765,000	\$ (983,361)	\$ 42,005,000

A. Note Payable

In June 1995, the Agency entered into a note payable with Cypress Creek Co., in order to provide for reimbursement of the Agency agreed-upon share of site acquisition costs under the Palomar Trolley Center Disposition and Development Agreement. Installments payments of principal and interest will be payable within 30 days of Agency receiving "Detailed Reports" from the State Board of Equalization itemizing the sources of the State Board of Equalization reconciliation payment for "Sales Tax Revenues." The Agency will remit an amount equal to 30% of the sales tax revenues generated by the project until the unpaid principal balance plus any accrued interest is paid in full. Simple interest accrues at rate of 7% annually. The balance was paid in full as of June 30, 2005.

B. ERAF Loan

In May 2005, the Agency participated in a \$765,000 Loan Agreement with the California Statewide Communities Development Authority to finance their 2005 share of ERAF Payments to the County Auditor. The annual debt services are:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 55,000	\$ 45,776	\$ 100,776
2007	65,000	34,438	99,438
2008	70,000	31,752	101,752
2009	70,000	28,704	98,704
2010	75,000	25,570	100,570
2011-2015	430,000	71,234	501,234
Total	\$ 765,000	\$ 237,474	\$ 1,002,474

C. Tax Allocation Bonds

	Balance July 1, 2004	Debt Issued	Debt Retired	Balance June 30, 2005
1994 Senior Tax Allocation Refunding Bonds, Series A	\$ 13,160,000	\$ -	\$ (275,000)	\$ 12,885,000
1994 Senior Tax Allocation Refunding Bonds, Series D	5,145,000	-	(95,000)	5,050,000
1994 Subordinate Tax Allocation Refunding Bonds, Series C	7,180,000	-	(155,000)	7,025,000
2000 Tax Allocation Bonds	16,640,000	-	(360,000)	16,280,000
Total	\$ 42,125,000	\$ -	\$ (885,000)	\$ 41,240,000

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

7. LONG-TERM DEBT, Continued

C. Tax Allocation Bonds, Continued

1994 Senior Tax Allocation Refunding Bonds, Series A

In November 1994, the Agency issued \$14,810,000 1994 Senior Tax Allocation Refunding Bonds, Series A, to refund the 1986 Tax Allocation Bonds. The bonds consist of \$1,585,000 serial bonds which mature from 1998 to 2004 in amounts ranging from \$185,000 to \$275,000 and \$12,885,000 term bonds which mature in 2024. Interest is payable semi-annually on March 1 and September 1, at interest rates ranging from 5.85% to 7.625%. Bonds maturing on or after September 1, 2006, are subject to optional redemption on any interest payment date on or after September 1, 2005, at various redemption prices. The balance outstanding as of June 30, 2005, was \$12,885,000.

The annual debt service requirements for the 1994 Senior Tax Allocation Refunding Bonds, Series A outstanding at June 30, 2005, was as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 295,000	\$ 971,234	\$ 1,266,234
2007	315,000	947,978	1,262,978
2008	340,000	923,006	1,263,006
2009	365,000	896,128	1,261,128
2010	395,000	867,153	1,262,153
2011-2015	2,470,000	3,817,456	6,287,456
2016-2020	3,560,000	2,679,806	6,239,806
2021-2025	5,145,000	1,037,953	6,182,953
Total	\$ 12,885,000	\$ 12,140,714	\$ 25,025,714

1994 Senior Tax Allocation Refunding Bonds, Series D

In February 1996, the Agency issued \$5,680,000 1994 Senior Tax Allocation Refunding Bonds, Series D, to refund the Agency's Bayfront/Town Centre Redevelopment Project 1994 Senior Tax Allocation Refunding Bonds, Series B. The 1994 Bonds, Series B, were paid off with the bond proceeds. The bonds are term bonds, which mature in 2024. Interest is payable semi-annually on March 1 and September 1 at 8.625%. The bonds are subject to redemption prior to maturity on any interest payment date, on or after September 1, 2006, at various redemption prices. The bonds are subject to mandatory sinking fund redemption prior to maturity, in part, by lot on September 1, 1997, and on each September 1 thereafter, without premium, from 1988 to 2024 in amounts ranging from \$60,000 to \$495,000. The balance outstanding at June 30, 2005, was \$5,050,000.

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

7. LONG-TERM DEBT, Continued

C. Tax Allocation Bonds, Continued

1994 Senior Tax Allocation Refunding Bonds, Series D, Continued

The annual debt service requirements outstanding at June 30, 2005 were as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 105,000	\$ 431,034	\$ 536,034
2007	110,000	421,762	531,762
2008	120,000	411,844	531,844
2009	130,000	401,062	531,062
2010	145,000	389,203	534,203
2011-2015	925,000	1,728,236	2,653,236
2016-2020	1,400,000	1,234,237	2,634,237
2021-2025	2,115,000	485,803	2,600,803
Total	\$ 5,050,000	\$ 5,503,181	\$ 10,553,181

1994 Subordinate Tax Allocation Refunding Bonds, Series C

In November 1994, the Agency issued \$8,195,000 1994 Subordinate Tax Allocation Refunding Bonds, Series C, to refund the 1986 Tax Allocation Bonds. The bonds consist of \$930,000 serial bonds which mature from 1998 to 2004 in amounts ranging from \$100,000 to \$145,000 and term bonds of \$2,255,000 and \$4,925,000 which mature in 2014 and 2024, respectively. Interest is payable semi-annually on May 1 and November 1 at interest rates ranging from 5.95% to 8.25%. The bonds are subject to optional redemption on any interest payment date on or after May 1, 2005 at various redemption prices. The balance outstanding at June 30, 2005, was \$7,025,000.

The annual debt service requirements outstanding at June 30, 2005 were as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 170,000	\$ 574,312	\$ 744,312
2007	180,000	560,712	740,712
2008	195,000	546,313	741,313
2009	210,000	530,713	740,713
2010	230,000	513,913	743,913
2011-2015	1,450,000	2,262,765	3,712,765
2016-2020	2,145,000	1,567,089	3,712,089
2021-2025	2,445,000	524,289	2,969,289
Total	\$ 7,025,000	\$ 7,080,106	\$ 14,105,106

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

7. LONG-TERM DEBT, Continued

C. Tax Allocation Bonds, Continued

2000 Tax Allocation Bonds

In October 2000, the Agency issued \$17,000,000 2000 Tax Allocation Bonds, to provide funds to fund a reserve account, to pay expenses of the Agency in connection with the issuance of the bonds and to finance or refinance certain redevelopment activities. The bonds consist of \$9,535,000 serial bonds which mature from 2001 to 2030 in amounts ranging from \$100,000 to \$715,000 and term bonds of \$1,440,000 and \$6,025,000 which mature in 2022 and 2029, respectively. Interest is payable semi-annually on March 1 and September 1 at interest rates ranging from 4.30% to 5.375%. The bonds are subject to optional redemption on any interest payment date on or after September 1, 2004, at various redemption prices. The balance outstanding at June 30, 2005, was \$16,280,000.

The annual debt service requirements for the 2000 Tax Allocation Bonds outstanding at June 30, 2005 were as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 375,000	\$ 821,145	\$ 1,196,145
2007	390,000	804,697	1,194,697
2008	405,000	787,605	1,192,605
2009	425,000	769,760	1,194,760
2010	440,000	750,943	1,190,943
2011-2015	2,530,000	3,424,789	5,954,789
2016-2020	2,870,000	2,758,263	5,628,263
2021-2025	3,705,000	1,897,774	5,602,774
2026-2030	4,425,000	772,253	5,197,253
2031	715,000	19,216	734,216
Total	\$ 16,280,000	\$ 12,806,445	\$ 29,086,445

8. UNEARNED REVENUE

Unearned revenue as of June 30, 2005 was reported as follows:

A. Government-Wide Financial Statements

Interest receivable on:

Loans receivable:

South Bay Community Services	\$ 195,657
CHIP	160,636
Chelsea Investment	38,401
St. Regis Park	168,283
Total unearned revenue	\$ 562,977

Redevelopment Agency of the City of Chula Vista
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2005

8. UNEARNED REVENUE, Continued

B. Fund Financial Statements

Interest receivable on:

Loans receivable:

South Bay Community Services	\$	612,753
CHIP		205,488
Rancho Vista Housing		12,658
Chelsea Investment		100,558
St. Regis Park		418,040
Alpha III Development (Main Plaza)		32,918
Advances to other funds		754,349

Total unearned revenue	\$	2,136,764
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9. COMMITMENTS AND CONTINGENCIES

The General Fund has loaned approximately \$580,149 to the Agency for unreimbursed services rendered by City staff. It is anticipated that the Agency will repay this loan from tax increment revenues. Currently, tax increment revenues are used to pay for related debt service expenditures and possible future debt issuance. As a result, the Agency is uncertain if the amount will be repaid to the City's General Fund. Accordingly, this contingent payable has not been reported in accompanying basic financial statements. The Agency will record the contingent payable when payment is assured.

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REQUIRED SUPPLEMENTARY INFORMATION

Redevelopment Agency of the City of Chula Vista
Required Supplementary Information
For the year ended June 30, 2005

1. BUDGETS AND BUDGETARY ACCOUNTING

An annual budget is adopted by the Board of Directors prior to the first day of the fiscal year. The budget process includes submittal of each department's budget request for the next fiscal year, a detailed review of each department's proposed budget by the Executive Director, and a final Executive Director recommended budget that is transmitted to the Board of Directors for its review before the required date of adoption. Once transmitted to the Board of Directors, the proposed budget is made available for public inspection. A public hearing is held to give the public the opportunity to comment upon the proposed budget. Notice of such public hearing is given in a newspaper of general circulation.

The adoption of the budget is accomplished by the approval of a Budget Resolution. The legal level of budgetary control is at the department level. Any budget modification, which would result in an appropriation increase, requires Board of Directors approval. The Executive Director and Finance Director are jointly authorized to transfer appropriations within a departmental budget. Any appropriation transfers between departments require Board of Directors approval.

Reported budget figures are as originally adopted or subsequently amended plus prior year continuing appropriations. Such budget amendments during the year, including those related to supplemental appropriations, did not cause these reported budget amounts to be significantly different than the originally adopted budget amounts. All appropriations which are not obligated, encumbered or expended at the end of the fiscal year lapse become a part of the unreserved fund balance which may be appropriated for the next fiscal year.

An annual budget for the year ended June 30, 2005, was adopted and approved by the Board of Directors for the special revenue and debt service funds. These budgets are prepared on the modified accrual basis of accounting except that encumbrances outstanding at year-end are considered as expenditures. The budgets of the capital projects funds are primarily long-term budgets, which emphasize major programs and capital outlay plans extending over a number of years. Because of the long-term nature of these projects, annual budget comparisons are not considered meaningful, and accordingly, no budgetary information for capital projects funds is included in the accompanying basic financial statements.

Budget amounts are reported as originally adopted and as further amended by the Board of Directors. The Differences between the budgetary basis and GAAP fund balances as of June 30, 2005 were as follows:

	Major Funds				
	Low & Mod Income Housing	RDA Housing Program Special Revenue	Bayfront/Town Centre I Debt Service	Town Centre II Otay Valley Southwest Merged Projects	Chula Vista Housing Authority Special Revenue
Fund balances - budgetary basis	\$ 12,726,828	\$ 6,221,623	\$ (21,806)	\$ (26,893,040)	\$ 157,579
Encumbrances outstanding at year-end	24,548	-	-	-	-
Fund balances - GAAP basis	\$ 12,751,376	\$ 6,221,623	\$ (21,806)	\$ (26,893,040)	\$ 157,579

Redevelopment Agency of the City of Chula Vista
Required Supplementary Information, Continued
For the year ended June 30, 2005

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

Budgetary Comparison Schedule, Low & Mod Income Housing

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance with Final Budget
	Original	Final	Amounts	
Fund balance as restated, July 1	\$ 11,426,435	\$ 11,426,435	\$ 11,426,435	\$ -
Resources (inflows):				
Taxes	1,644,412	1,644,412	1,675,273	30,861
Use of money and property	94,084	94,084	170,235	76,151
Other	-	-	25,605	25,605
Total resources	1,738,496	1,738,496	1,871,113	132,617
Amount available for appropriation	13,164,931	13,164,931	13,297,548	132,617
Charges to appropriations (outflows):				
General government	954,705	1,960,733	566,211	1,394,522
Transfer to other funds	4,509	4,509	4,509	-
Total charges to appropriations	959,214	1,965,242	570,720	1,394,522
Excess of resources over (under) charges to appropriations	779,282	(226,746)	1,300,393	1,527,139
Fund balance, June 30	\$ 12,205,717	\$ 11,199,689	\$ 12,726,828	\$ 1,527,139

Redevelopment Agency of the City of Chula Vista
Required Supplementary Information, Continued
For the year ended June 30, 2005

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

Budgetary Comparison Schedule, RDA Housing Program Special Revenue

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance with Final Budget
	Original	Final	Amounts	
Fund balance as restated, July 1	<u>\$ 6,416,995</u>	<u>\$ 6,116,995</u>	<u>\$ 6,300,196</u>	<u>\$ (183,201)</u>
Resources (inflows):				
Use of money and property	1,956	1,956	53,755	51,799
Other	-	-	25,895	25,895
Transfers from other funds	<u>11,000</u>	<u>11,000</u>	<u>4,259</u>	<u>(6,741)</u>
Total resources	<u>12,956</u>	<u>12,956</u>	<u>83,909</u>	<u>70,953</u>
Amount available for appropriation	<u>6,429,951</u>	<u>6,129,951</u>	<u>6,384,105</u>	<u>(112,248)</u>
Charges to appropriations (outflows):				
General government	<u>301,000</u>	<u>301,000</u>	<u>162,482</u>	<u>138,518</u>
Total charges to appropriations	<u>301,000</u>	<u>301,000</u>	<u>162,482</u>	<u>138,518</u>
Excess of resources over (under) charges to appropriations	<u>(288,044)</u>	<u>(288,044)</u>	<u>(78,573)</u>	<u>209,471</u>
Fund balance, June 30	<u><u>\$ 6,128,951</u></u>	<u><u>\$ 5,828,951</u></u>	<u><u>\$ 6,221,623</u></u>	<u><u>\$ 26,270</u></u>

Redevelopment Agency of the City of Chula Vista
Required Supplementary Information, Continued
For the year ended June 30, 2005

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

Budgetary Comparison Schedule, Bayfront/Town Centre I Debt Service

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance with Final Budget
	Original	Final	Amounts	
Fund balance as restated, July 1	\$ 103,472	\$ 103,472	\$ 103,472	\$ -
Resources (inflows):				
Taxes	2,396,041	2,396,041	2,461,002	64,961
Use of money and property	189,213	189,210	189,946	736
Total resources	2,585,254	2,585,251	2,650,948	65,697
Amount available for appropriation	2,688,726	2,688,723	2,754,420	65,697
Charges to appropriations (outflows):				
General government	14,700	14,700	12,314	2,386
Non-departmental:				
Principal	525,000	525,000	525,000	-
Interest and fiscal charges	2,198,607	2,198,607	2,202,962	(4,355)
Transfers to other funds	50,000	(18,237)	35,950	(54,187)
Total charges to appropriations	2,788,307	2,720,070	2,776,226	(56,156)
Excess of resources over (under) charges to appropriations	(203,053)	(134,819)	(125,278)	9,541
Fund balance, June 30	\$ (99,581)	\$ (31,347)	\$ (21,806)	\$ 9,541

Redevelopment Agency of the City of Chula Vista
Required Supplementary Information, Continued
For the year ended June 30, 2005

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

Budgetary Comparison Schedule, Town Centre II Otay Valley Southwest Merged Projects Debt Service

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance with Final Budget
	Original	Final	Amounts	
Fund balance as restated, July 1	\$ (26,382,005)	\$ (26,382,005)	\$ (26,382,005)	\$ -
Resources (inflows):				
Taxes	1,111,039	1,111,039	1,209,208	98,169
Use of money and property	88,300	87,639	16,074	(71,565)
Transfers from other funds	162,946	4,808,293	1,955,635	(2,852,658)
Total resources	1,362,285	6,006,971	3,180,917	(2,826,054)
Amount available for appropriation	(25,019,720)	(20,375,034)	(23,201,088)	(2,826,054)
Charges to appropriations (outflows):				
General government	5,000	5,000	3,775	1,225
Non-departmental:				
Principal	469,250	469,250	458,361	10,889
Interest and fiscal charges	2,140,298	2,140,298	2,011,424	128,874
Transfers to other funds	1,267,829	1,372,016	1,218,392	153,624
Total charges to appropriations	3,882,377	3,986,564	3,691,952	294,612
Excess of resources over (under) charges to appropriations	(2,520,092)	2,020,407	(511,035)	(2,531,442)
Fund balance, June 30	\$ (28,902,097)	\$ (24,361,598)	\$ (26,893,040)	\$ (2,531,442)

Redevelopment Agency of the City of Chula Vista
Required Supplementary Information, Continued
For the year ended June 30, 2005

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

Budgetary Comparison Schedule, Chula Vista Housing Authority Special Revenue

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variance with Final Budget
	Original	Final	Amounts	
Fund balance as restated, July 1	<u>\$ 103,343</u>	<u>\$ 103,343</u>	<u>\$ 103,343</u>	<u>\$ -</u>
Resources (inflows):				
Use of money and property	2,782	2,782	3,850	1,068
Other	<u>-</u>	<u>-</u>	<u>50,614</u>	<u>50,614</u>
Total resources	<u>2,782</u>	<u>2,782</u>	<u>54,464</u>	<u>51,682</u>
Amount available for appropriation	<u>106,125</u>	<u>106,125</u>	<u>157,807</u>	<u>51,682</u>
Charges to appropriations (outflows):				
General government	<u>11,085</u>	<u>11,085</u>	<u>228</u>	<u>10,857</u>
Total charges to appropriations	<u>11,085</u>	<u>11,085</u>	<u>228</u>	<u>10,857</u>
Excess of resources over (under) charges to appropriations	<u>(8,303)</u>	<u>(8,303)</u>	<u>54,236</u>	<u>62,539</u>
Fund balance, June 30	<u><u>\$ 95,040</u></u>	<u><u>\$ 95,040</u></u>	<u><u>\$ 157,579</u></u>	<u><u>\$ 62,539</u></u>

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

The Board of Directors
of the City of Chula Vista Redevelopment Agency
Chula Vista, California

We have audited the basic financial statements of the Redevelopment Agency of the City of Chula Vista (Agency), a component unit of the City of Chula Vista (City), as of and for the year ended June 30, 2005, and have issued our report thereon dated September 30, 2005. We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the basic financial statements of the Agency are free of material misstatements, we performed tests of its compliance with certain provision of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. Such provisions included those provisions of laws identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management and the State Controller. However, this report is a matter of public record and its distribution is not limited.

Caporicci & Larson

Costa Mesa, California
September 30, 2005

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